



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

<b>Bill #</b>	HB0249	<b>Title:</b>	Create Healthy Montana Act to expand health care coverage to certain Montanans
<b>Primary Sponsor:</b>	Noonan, Pat	<b>Status:</b>	As Introduced

- |  |   |  |
|--|---|--|
| <input type="checkbox"/> Significant Local Gov Impact                | <input type="checkbox"/> Needs to be included in HB 2             | <input checked="" type="checkbox"/> Technical Concerns   |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<b><u>FY 2016 Difference</u></b>	<b><u>FY 2017 Difference</u></b>	<b><u>FY 2018 Difference</u></b>	<b><u>FY 2019 Difference</u></b>
<b>Expenditures:</b>				
General Fund	(\$30,710,686)	(\$28,895,093)	(\$13,795,959)	(\$6,148,324)
Federal Special Revenue	\$300,328,237	\$383,103,553	\$451,562,923	\$511,251,822
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Federal Special Revenue	\$300,328,237	\$383,103,553	\$451,562,923	\$511,251,822
<b>Net Impact-General Fund Balance:</b>	<u><u>\$30,710,686</u></u>	<u><u>\$28,895,093</u></u>	<u><u>\$13,795,959</u></u>	<u><u>\$6,148,324</u></u>

**Description of fiscal impact:** A bill to create the Healthy Montana Act to expand health care coverage to additional eligible individuals and improve access to health care services across Montana. Establishing a health care coverage program to provide certain low-income Montanans with access to health care services using Medicaid funds and an arrangement with a third party administrator. This bill proposes to use federal matching funds to provide for state savings through FY 19, with the state portion of funding being capped at no more than 10% in years beyond this analysis.

### FISCAL ANALYSIS

#### Assumptions:

- 1) The table on page 4 includes the following assumptions:
  - 1) Healthy Montana clients.
    - a. Healthy Montana adult benefits.
      - i. Estimated number of newly eligible clients.
        1. There are an estimated 65,319 adults eligible over the next four years.

2. The take-up rate is 85% for uninsured and 70% for privately insured.
3. A phase-in for enrollment will occur over four years.
4. It is estimated enrollment will grow at the average Montana population growth over the last five years of 0.80% per year.
- ii. Estimated medical service costs for the newly eligible clients.
  1. The average medical service cost for FY 2016 is \$504.62 per client per month.
  2. Medical service costs increase by approximately 6 % annually.
  3. Medical services will receive the enhanced Federal Medical Assistance Percentage (FMAP). The enhanced FMAP for each state fiscal year is a blended rate: FY 2016 is 100%, FY 2017 is 97.5%, FY 2018 is 94.5%, and FY 2019 is 93.5%.
- b. Healthy Montana adult administrative costs.
  - i. Administrative costs include eligibility determination, program management, and quality control functions.
    1. The administrative cost is estimated to be \$9.27 per member per month for FY 2016. The estimated per client costs decline in subsequent years as more clients enroll.
    2. Administrative costs receive an administrative federal participation rate ranging from 50% to 90%, depending on the cost category.
  - ii. Third party administration costs
    1. The cost paid monthly to a third party administrator is estimated to be \$8.25 per member per month.
- c. Estimated savings to the Health Insurance Flexibility and Accountability (HIFA).
  - i. The HIFA program currently receives the standard FMAP.
  - ii. Under this bill, most HIFA clients will be eligible for the Healthy Montana Plan and will receive the enhanced FMAP causing a decrease in general fund expenditures and an increase in federal special revenue fund expenditures.
  - iii. There are an estimated 3,150 HIFA clients per year for the next four years.
  - iv. The enhanced FMAP for the HIFA eligible clients is a blended rate: FY 2016 is 100%, FY 2017 is 97.5%, FY 2018 is 94.5%, and FY 2019 is 93.5%.
- d. Estimated savings to the chemical dependency services.
  - i. Medicaid currently covers chemical dependency services for clients up to 200% of the Federal Poverty Level (FPL). This program currently receives the standard FMAP.
  - ii. Clients who are in the chemical dependency program and have incomes under 138% FPL and would be eligible for the Healthy Montana Plan.
  - iii. The enhanced FMAP for the chemical dependency clients is a blended rate: FY 2016 is 100%, FY 2017 is 97.5%, FY 2018 is 94.5%, and FY 2019 is 93.5%.
  - iv. Montana will experience savings from this enhanced match. This program is funded with restricted state special revenue with statutorily required usage. The state savings are not shown in the table.
- e. Estimated savings to medically needy program.
  - i. Medically needy individuals, who meet the eligibility requirements of the Healthy Montana Plan, will be considered newly eligible.
  - ii. The enhanced FMAP for the medically needy clients is a blended rate: FY 2016 is 100 %, FY 2017 is 97.5%, FY 2018 is 94.5%, and FY 2019 is 93.5%.

- iii. It is estimated 31% of the current non-elderly medically needy population will be eligible for the Healthy Montana Plan. The difference in FMAP will result in savings to Montana.
  - f. Estimated savings of inmate medical expenses.
    - i. Inmates who meet the eligibility requirements of the Healthy Montana Plan will be considered newly eligible.
    - ii. For these inmates, inpatient hospital stays as well as some pre-release medical services will be eligible for enhanced FMAP causing a decrease in general fund expenditures and an increase in federal special revenue fund expenditures.
    - iii. The enhanced FMAP for the inmates is a blended rate: FY 2016 is 100%, FY 2017 is 97.5%, FY 2018 is 94.5%, and FY 2019 is 93.5%.
  - g. Estimated savings in Children's Health Insurance Program (CHIP).
    - i. The Affordable Care Act (ACA) includes a provision to increase the CHIP FMAP by 23% points from October 1, 2015 through September 30, 2019.
    - ii. CHIP savings is estimated using SFY 2013 CHIP costs and estimated growth based on per-member cost and population growth.
    - iii. Savings attributable to the temporary enhanced CHIP FMAP are estimated in the general fund in accordance with current statutory requirements.
- 2) Welcome Mat Clients
  - a. Welcome mat clients are those individuals whom program implementation and public awareness are assumed to bring additional adults and children into Medicaid and are currently eligible, but not enrolled.
    - i. Estimated number of welcome mat clients.
      - 1. There are an estimated 1,453 welcome mat clients over the next four years.
      - 2. The take-up for the welcome mat clients is 4% for uninsured and 2% for privately insured.
      - 3. A phase-in for enrollment will occur over four years.
    - ii. Estimated medical service costs for the welcome mat clients.
      - 1. Welcome mat clients will receive the standard FMAP, as opposed to the enhanced FMAP.
      - 2. Medicaid non-disabled adults average costs are \$452 per month in FY 2016, while Medicaid children costs are \$310 per month in FY 2016.
      - 3. Estimated costs for adults increase by approximately 0.004%, annually, while costs for children increase by approximately .25%, annually.
  - b. Welcome Mat Administrative
    - i. Administrative costs include eligibility determination, program management, claims processing and quality control functions.
    - ii. The administrative cost is estimated to be: FY 2016 = \$139,763; FY 2017 = \$174,996; FY 2018 = \$205,508 and FY 2019 = \$ 224,926.
    - iii. Administrative costs receive an administrative federal participation rate ranging from 50% to 90% depending on the cost category.
- 3) The department will follow 17-2-108, MCA which is to expend non-general fund money first.
- 4) The following table summarizes all of the costs and funding assumptions, by category, for the preceding assumptions:

Summary of Financial Impacts				
	FY 2016	FY 2017	FY 2018	FY 2019
Total Clients	36,943	47,386	57,990	65,319
Healthy Montana Adults	33,793	44,236	54,840	62,169
HIFA Waiver	3,150	3,150	3,150	3,150
Welcome Mat Clients	822	1,054	1,290	1,453
<b>Total Impact</b>				
Healthy Montana Adult Benefits	\$258,105,458	\$339,620,249	\$420,486,473	\$486,043,329
Welcome Mat Benefits	\$3,724,369	\$4,672,329	\$5,497,645	\$6,028,834
Healthy Montana Adults Administrative Cost	\$3,283,001	\$4,178,229	\$4,953,476	\$5,446,873
Healthy Montana Adults TPA	\$3,818,071	\$4,859,204	\$5,760,803	\$6,334,615
Welcome Mat Administrative Cost	\$139,763	\$174,996	\$205,508	\$224,926
HIFA FMAP Increase	\$0	\$0	\$0	\$0
Chemical Dependency Program <sup>1</sup>	\$526,521	\$614,723	\$692,295	\$826,813
Medically Needy FMAP	\$0	\$0	\$0	\$0
Inmate Transition to Medicaid	\$20,368	\$88,729	\$170,763	\$198,108
CHIP FMAP Increase	\$0	\$0	\$0	\$0
Total Cost (State & Federal)	\$269,617,551	\$354,208,460	\$437,766,964	\$505,103,498
<b>Federal Impact</b>				
Healthy Montana Adult Benefits	\$258,105,458	\$331,129,743	\$397,359,717	\$454,450,513
Welcome Mat Benefits	\$2,432,086	\$3,023,720	\$3,552,578	\$3,895,832
Healthy Montana Adults Administrative Cost	\$1,859,997	\$2,367,192	\$2,806,411	\$3,085,947
Healthy Montana Adults TPA	\$1,909,036	\$2,429,602	\$2,880,402	\$3,167,307
Welcome Mat Administrative Cost	\$83,729	\$104,836	\$123,115	\$134,748
HIFA FMAP Increase	\$8,525,318	\$8,055,165	\$7,341,524	\$7,095,824
Chemical Dependency Program <sup>1</sup>	\$526,521	\$614,723	\$692,295	\$826,813
Medically Needy FMAP	\$3,621,343	\$3,495,913	\$3,255,363	\$3,214,719
Inmate Transition to Medicaid	\$2,769,480	\$2,701,118	\$2,619,084	\$2,591,739
CHIP FMAP Increase	\$20,495,271	\$29,181,541	\$30,932,434	\$32,788,380
Total Federal Cost	\$300,328,238	\$383,103,553	\$451,562,923	\$511,251,823
<b>Montana State Impact</b>				
Healthy Montana Adult Benefits	\$0	\$8,490,506	\$23,126,756	\$31,592,816
Welcome Mat Benefits	\$1,292,283	\$1,648,609	\$1,945,067	\$2,133,001
Healthy Montana Adults Administrative Cost	\$1,423,004	\$1,811,037	\$2,147,065	\$2,360,926
Healthy Montana Adults TPA	\$1,909,036	\$2,429,602	\$2,880,402	\$3,167,307
Welcome Mat Administrative Cost	\$56,034	\$70,160	\$82,393	\$90,178
HIFA FMAP Increase	-\$8,525,318	-\$8,055,165	-\$7,341,524	-\$7,095,824
Chemical Dependency Program <sup>1</sup>	\$0	\$0	\$0	\$0
Medically Needy FMAP	-\$3,621,343	-\$3,495,913	-\$3,255,363	-\$3,214,719
Inmate Transition to Medicaid	-\$2,749,112	-\$2,612,389	-\$2,448,320	-\$2,393,631
CHIP FMAP Increase	-\$20,495,271	-\$29,181,541	-\$30,932,434	-\$32,788,380
Total State Cost	-\$30,710,686	-\$28,895,093	-\$13,795,959	-\$6,148,324
<p>1. This program is funded with State Special Revenue so no General Fund saving occur. The savings are not included in the State Impact, additional Federal Cost is included in the Total and Federal Impact portions.</p> <p>* Client estimates are as of July of each fiscal year.</p>				

5. 17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(3), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines. Answer yes or no to each of the following guidelines regarding the statutory appropriation:

	<u>YES</u>	<u>NO</u>
a. The money is from a continuing, reliable, and estimable source.		X
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.		X
c. The authority exists elsewhere.		X
d. An alternative appropriation method is available, practical, or effective.		X
e. It appropriates state general fund money for purposes other than paying for emergency services.		X
f. The money is used for general purposes.		X
g. The legislature wishes to review expenditure and appropriation levels each biennium.	X	
h. An expenditure cap and sunset date are excluded.	X	

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Operating Expenses	\$7,240,835	\$9,212,429	\$10,919,787	\$12,006,414
Benefits/Claims	\$262,376,716	\$344,996,031	\$426,847,177	\$493,097,084
<b>TOTAL Expenditures</b>	<b>\$269,617,551</b>	<b>\$354,208,460</b>	<b>\$437,766,964</b>	<b>\$505,103,498</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	(\$30,710,686)	(\$28,895,093)	(\$13,795,959)	(\$6,148,324)
Federal Special Revenue (03)	\$300,328,237	\$383,103,553	\$451,562,923	\$511,251,822
<b>TOTAL Funding of Exp.</b>	<b>\$269,617,551</b>	<b>\$354,208,460</b>	<b>\$437,766,964</b>	<b>\$505,103,498</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$300,328,237	\$383,103,533	\$451,562,923	\$511,251,822
<b>TOTAL Revenues</b>	<b>\$300,328,237</b>	<b>\$383,103,533</b>	<b>\$451,562,923</b>	<b>\$511,251,822</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$30,710,686	\$28,895,093	\$13,795,959	\$6,148,324
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

**Long-Term Impacts:**

1. Healthy Montana Plan expands access to Medicaid to eligible Montanan's in compliance with 42 U.S.C.1396(a)(10)(A)(i)(VIII). It is estimated that over 65,319 individuals will enroll in Medicaid coverage by FY 2019.

**Technical Notes:**

1. The Healthy Montana Act requires approval of state plan amendments and waivers by the Centers for Medicare and Medicaid. It will require administrative rule to be updated with the Secretary of State Office.
2. Section 10 provides that Sections 4 and 5 terminate on the effective implementation date after enactment by the federal government of any provision of law that reduces below 90% the FMAP rate for medical assistance provided to individuals eligible for Medicaid coverage pursuant to Section 5.

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*Sponsor's Initials*\_\_\_\_\_  
*Date*\_\_\_\_\_  
*Budget Director's Initials*\_\_\_\_\_  
*Date*